

Message Text

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ACTION EB-11

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NSC-10 SS-20 STR-08 L-03 H-03 SEC-03 JUSE-00 FTC-01

FEA-02 SCI-06 SSO-00 NSCE-00 INRE-00 DRC-01 INT-08

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SUBJ: FOREIGN DIRECT INVESTMENT IN U.S.

REF: STATE 11634

1. WHILE IT WOULD BE DIFFICULT TO ASSESS SPEED AND MANNER OF AUSTRIAN REACTION TO ANY U.S. RESTRICTIONS ON FDI, IMPACT HERE WOULD MOST CERTAINLY BE NEGATIVE AND IS BOUND TO AFFECT ADVERSELY CLIMATE FOR U.S. INVESTMENTS AND U.S. BUSINESS INTERESTS HERE GENERALLY. AUSTRIANS ARE HIGHLY SELECTIVE IN APPROACH THEY TAKE TO FOREIGN DIRECT INVESTMENT, AND IF THEY JUDGED A SPECIFIC U.S. INVESTMENT TO BE SUFFICIENTLY TO THEIR ADVANTAGE IN TERMS OF TECHNOLOGY AND KNOW-HOW, THEY COULD BE EXPECTED TO ENCOURAGE AND APPROVE IT.

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2. HOWEVER, THERE IS CONSIDERABLE SENTIMENT IN GOA

AND BUSINESS CIRCLES WHICH IS HOSTILE TO FOREIGN INVESTMENTS, AND SOME ELEMENTS IN RULING SOCIALIST PARTY HAVE IDEOLOGICAL BIAS AGAINST FOREIGN BUSINESS PRESENCE IN AUSTRIA. THESE CURRENTS WOULD CERTAINLY SEIZE ON ANY RESTRICTIVE U.S. MEASURES AS AMMUNITION TO USE AGAINST FOREIGN BUSINESS, INCLUDING U.S., INTERESTS HERE AND MAKE IT MORE DIFFICULT FOR MODERATE ELEMENTS IN GOVERNMENT AND BUSINESS TO HEAD OFF RESTRICTIVE COUNTER-MEASURES.

3. U.S. RESTRICTIVE MEASURES IN INVESTMENT FIELD WOULD BE OF PARTICULAR CONCERN TO AUSTRIANS IN PRESENT UNSETTLED ECONOMIC AND MONETARY SITUATION RESULTING FROM OIL CRISIS. UNILATERAL U.S. ACTIONS IN INVESTMENT AREA WOULD BE DIFFICULT TO SQUARE WITH U.S. PLEA FOR CONCERTED ACTION TO DEAL WITH OIL CRISIS AND RELATED MONETARY PROBLEMS.

4. FOR MOST PART, RETALIATORY MEASURES WHICH AUSTRIANS WOULD TAKE ARE NOT LIKELY TO BE EXPRESSED IN EXPLICIT REGULATIONS BUT RATHER IN TYPICALLY AUSTRIAN FASHION BY ENDLESS FOOT-DRAGGING ON APPLICATIONS AND REQUESTS, FAILURE TO GRANT NEEDED LICENSES, ETC.

5. HOWEVER, SPECIFIC NEGATIVE CONSEQUENCES COULD TAKE FOLLOWING FORMS:

A. ADOPTION OF LESS LIBERAL ATTITUDE VIS-A-VIS U.S. FDI IN LOCAL BANKING AND INSURANCE BUSINESSES;

B. ACTIVATION OF CURRENTLY DORMANT PROPOSALS FOR TIGHTER CONTROLS OF LOCAL SUBSIDIARIES OF FOREIGN FIRMS (MANY OF WHOM ARE AMERICAN). THESE PROPOSALS AIM AT:

(1) RIGOROUS EXAMINATION OF THE TAX PRACTICES OF FOREIGN SUBSIDIARIES; MEASURES TO PREVENT TAX EVASION THROUGH ESTABLISHMENT OF HOLDING COMPANIES IN TAX HAVENS;

(2) PROVISIONS FOR GREATER CLARITY IN FINANCIAL LIMITED OFFICIAL USE

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STATEMENTS OF FOREIGN SUBSIDIARIES;

(3) OBLIGATORY PUBLICATION OF "PARTIAL" BALANCE SHEETS BY FOREIGN SUBSIDIARIES COVERING ONLY THEIR BUSINESS ACTIVITIES IN AUSTRIA. (SO FAR THIS IS ONLY COMPULSORY FOR LOCAL BRANCHES OF FOREIGN INSURANCE COMPANIES.)

C. STRENGTHENED SUPPORT FOR DRAFT LAW WHICH HAS

BEEN INTRODUCED BY THE SOCIALIST GOVERNMENT TO IMPOSE
PRICE CONTROLS OVER PRODUCTS IMPORTED INTO AUSTRIA BY
MULTINATIONAL CORPORATIONS (VIENNA A-678).

D. DISCOURAGEMENT OF AUSTRIAN INVESTORS CONSIDER-
ING ESTABLISHMENT OF JOB-CREATING FACILITIES IN U.S.
IF SUCH INVESTORS INTERPRETED CURRENTLY CONSIDERED
RESTRICTIVE MEASURES AS TREND TOWARD FURTHER RESTRIC-
TIONS ON FDI IN U.S. (AT PRESENT 4 AUSTRIAN COMPANIES
ARE IN PROCESS OF SETTING UP NEW MANUFACTURING FACILI-
TIES IN U.S.; 6 OTHERS HAVE CONCRETE PLANS FOR SUCH
INVESTMENTS.) HUMES

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